

# MANAGING YOUR BENEFICIARIES' INHERITANCES

A Predetermined Beneficiary Payout Option with a Variable Annuity



# WHY CONSIDER A VARIABLE ANNUITY?

A variable annuity is a long-term contract between you and an insurance company that can help you grow, protect, and manage retirement savings in a tax-advantaged way. It can help you:

- **Grow retirement savings faster** through the power of tax deferral.
- **Manage your investment strategy** by transferring among a diverse selection of investment options free of tax consequences.
- **Convert your assets** to guaranteed lifetime retirement income.
- **Leave a financial legacy** through a protected death benefit.

A variable annuity also offer features such as asset allocation and optional principal protection. Optional benefits are available for an additional cost.

Guarantees, including optional benefits, are subject to the financial strength and claims-paying ability of the insurance company and do not protect the value of the variable investment options, which are subject to market risk. The value of the variable investment options will fluctuate and, when redeemed, may be worth more or less than the original cost. Annuity withdrawals and other distributions of taxable amounts, including death benefit payouts, will be subject to ordinary income tax. For nonqualified contracts, an additional 3.8% federal tax may apply on net investment income. If withdrawals and other distributions are taken prior to age 59½, an additional 10% federal tax may apply. A withdrawal charge also may apply. Withdrawals will reduce the contract value and the value of the death benefits, and also may reduce the value of any optional benefits.

IRAs and qualified plans—such as 401(k)s and 403(b)s—are already tax-deferred. Therefore, a deferred annuity should be used only to fund an IRA or qualified plan to benefit from the annuity's features other than tax deferral. These include lifetime income, death benefit options, and the ability to transfer among investment options without sales or withdrawal charges.

Insurance products are issued by Pacific Life Insurance Company in all states except New York and in New York by Pacific Life & Annuity Company. Product availability and features may vary by state.

**No bank guarantee • Not a deposit • May lose value  
Not FDIC/NCUA insured • Not insured by any federal government agency**

# YOU'RE IN CONTROL

## Getting Started

Do you want to control access to the assets you leave to your beneficiaries without having to create a trust? Maybe you are also concerned that your beneficiaries are fiscally irresponsible, easily influenced, or too young to manage assets. Regardless of the reason, you can be in control of your legacy using the Predetermined Beneficiary Payout Option available with variable annuities.

With the Predetermined Beneficiary Payout Option, you have the flexibility to choose how and when payouts are made to beneficiaries after your death: all at once or over their life expectancies. You may choose from a scheduled withdrawal or a monthly payment, quarterly, semiannually, or annually. It's up to you.

## Predetermined Beneficiary Payout Option Highlights

- Available for no extra cost with variable annuities and can be added at any time.
- Only you, as the owner, can make changes or cancel the option.
- Available on nonqualified (after-tax) contracts, as well as traditional and Roth IRA annuity contracts that have not been annuitized (restrictions apply).
- Allows tax-deferred benefits to be extended compared to allowing the beneficiary to take a lump-sum distribution and be subject to immediate taxation.





# CHOOSE A PAYOUT OPTION

Lump Sum	Annuity	Scheduled Withdrawal
Payout Method—Nonqualified Contracts Only		
<b>Lump Sum:</b> Select a percentage that will be paid as a lump sum, with the remainder paid out via the annuity payout option or the scheduled payout option.	<ul style="list-style-type: none"> <li>• <b>Life Only:</b> Periodic payments over his or her lifetime.</li> <li>• <b>Life with Period Certain<sup>1</sup>:</b> Periodic payments over his or her lifetime with payments guaranteed over a specified period of your choosing.</li> <li>• <b>Period Certain Only 5–30 Years:</b> Periodic payments over a specified period (5–30 years only).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Life Expectancy:</b> Minimum distributions each year based on his or her life expectancy.</li> <li>• <b>Life Expectancy with Future Cash Access:</b> Minimum distributions each year based on his or her life expectancy AND upon reaching a specified age, your beneficiary has access to any distributions greater than the minimum.</li> </ul>
Payout Method—IRA/Roth IRA Contracts Only		
<b>Lump Sum:</b> Select a percentage that will be paid as a lump sum, with the remainder paid out via the annuity payout option or the scheduled payout option.	<ul style="list-style-type: none"> <li>• <b>Period Certain Only 5–9 Years:</b> Periodic payments over a specified period (5–9 years only).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Not Applicable</b></li> </ul>
Tax Impact—Nonqualified Annuities		
Any amount over the cost basis will be taxed as ordinary income.	Annuity payments receive a special tax treatment called an “exclusion ratio” with a portion of each payment distributing after-tax premium and taxable earnings, instead of distributing only earnings first.	Any amount over the cost basis will be taxed as ordinary income, generally distributing any earnings first and then after-tax premiums after earnings are depleted.
Tax Impact—IRAs		
Since most retirement assets are funded with pretax contributions, the death proceeds will be taxed as ordinary income.		
Tax Impact—Roth IRAs		
If “Qualified Distribution” <sup>2</sup> requirements are met, the death proceeds may be taken tax-free.		

<sup>1</sup>For annuity payouts of Life with Period Certain: Minimum period is five years not to exceed 30 years or the beneficiary’s life expectancy. May vary by product.

<sup>2</sup>For Roth IRA beneficiaries, the Qualified Distribution requirements are met if the account owner held the Roth IRA for at least five years prior to his or her death.

# COMMON PAYOUT OPTION SCENARIOS

<b>1. Beneficiary with Full Restriction</b>	(For example, your beneficiary has difficulty managing finances).
<b>STRATEGY</b> (Nonqualified Only)	You can select either the annuity or scheduled payout option. This will limit the distributions for the life of the beneficiary.
<b>STRATEGY</b> (IRA/Roth IRA)	You can select the annuity option. This will limit the distributions for five to nine years for beneficiary.
<b>2. Beneficiary with Partial Restrictions</b>	(For example, your beneficiary is relatively young, and although you don't want him/her to have access immediately to all the money, you would like him/her to have access at a certain age).
<b>STRATEGY</b> (Nonqualified Only)	You can select either: <ul style="list-style-type: none"><li>• A percentage to be paid as a lump sum, with the remainder to be paid through the annuity or scheduled payout.</li><li>• The scheduled payout option, and choose Life Expectancy with Future Cash Access so the beneficiary will have unlimited access to any remaining death proceeds upon attaining a certain age.</li></ul>
<b>STRATEGY</b> (IRA/Roth IRA)	You can select a percentage to be paid as a lump sum, with the remainder to be paid through the annuity payout of five to nine years.
<b>3. Multiple beneficiaries, but not all of them are restricted</b>	(For example, beneficiaries' abilities to manage money may differ).
<b>STRATEGY</b> (Both Nonqualified and IRA/Roth IRA)	You have the ability to identify the "restricted beneficiaries" when completing the form. The form is used only to identify restricted beneficiaries and should not include any beneficiaries you don't want to restrict.

To discuss predetermined beneficiary options that  
fit your needs, please talk to your financial professional  
and tax advisor or visit our website.  
[PacificLife.com](http://PacificLife.com)

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